



Agricultural Outlook Forum / 2001

Crop Insurance Update

Arlington, Virginia

February 22, 2001

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ANOKA, MINNESOTA



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A - Agriculture

R - Risk

P - Protection

A - Act

Passed by Congress and signed by President Clinton during the 2000 Legislative session. Public Law 106-224 (106th Congress)

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QUICK OVERVIEW:

Invests about \$8.5 billion in additional spending over five years (2001 - 2005)

Makes “buy up” more affordable - equalizes the RMA premium subsidy for “revenue products”

Targets the 75% coverage level for maximum subsidy

Addresses multi-year loss problems

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QUICK OVERVIEW - CONTINUED

Expands authority / pilot programs for specialty crops

Mandates a livestock pilot

Specific and extensive focus on reducing fraud, waste and abuse

Addresses double coverage and prevented planting issues

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Coverage and premium subsidy - highlights

The out of pocket premium paid by the farmer is less than the previous legislation

The “target” coverage level for premium subsidy is increased from the 65% to the 75% coverage level

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Balanced premium subsidy

Revenue coverage options such as crc and ra will now receive the same %age premium subsidy at a given level as the aph plan

80% and 85% coverage levels will be more widely available and usually a more expensive option for the farmer to purchase

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Multi-year loss problem - solution

Effective for 2001 spring crops an option for the buyer:

Plug any yield in the aph database that is below
“60% of T” with “60% of T”

T is the transitional yield for a crop in a county
usually used for new producers

New and higher guarantee based upon this
process will result - premium may be higher

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EXAMPLE OF 2001 PURCHASE
OPTIONS FOR CORN AND SOYBEANS

CLINTON COUNTY, INDIANA

ASSUME 160 BUSHEL APH FOR CORN

ASSUME A \$2.05 PRICE FOR CORN

ASSUME 52 BUSHEL APH FOR BEANS

ASSUME A \$4.80 PRICE FOR BEANS

ASSUME OPTIONAL UNITS

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CORN / 2001

160 x 75% x \$2.05 = \$246 - crc cost is \$7.53 per acre

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160 x 75% x \$2.05 = \$246 - aph cost is \$5.05 per acre

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160 x 85% x \$2.05 = \$279 - crc cost is \$18.72 per acre

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160 x 85% x \$2.05 = \$279 - aph cost is \$12.64 per acre

** 160 x 75% x \$2.40 = \$288 - crc cost is \$8.81 per acre

** 160 x 85% x \$2.40 = \$288 - crc cost is 21.87 per acre



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SOYBEANS / 2001

$52 \times 75\% \times \$4.80 = \187 - crc cost is \$4.89 per acre

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$52 \times 75\% \times \$4.80 = \187 - aph cost is \$3.33 per acre

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$52 \times 85\% \times \$4.80 = \212 - crc cost is \$12.12 per acre

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$52 \times 85\% \times \$4.80 = \212 - aph cost is \$8.32 per acre

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** $52 \times 75\% \times \$5.26 = \205 - aph cost is \$3.65

** $52 \times 75\% \times \$4.60 = \179 - crc cost is \$4.68

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REDUCING FRAUD, WASTE AND ABUSE IN CROP INSURANCE (FWA)

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1. COORDINATED RMA / FSA PLAN
2. RECONCILE RMA/FSA RECORDS YEARLY,
SUCH AS SHARES REPORTED OR LDP
RECORDS - VS - APH OR LOSS INFO
3. FSA COUNTY OFFICES CAN AND WILL
REPORT CASES OF SUSPECTED F/W/A

U S A / MPC I CAUSE OF LOSS

1. DROUGHT (37%)

2. EXCESS RAIN (33%)

3. HAIL (13%)

4. FREEZE (5%)

5. OTHER (12%)



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- ◆ END OF POWERPOINT PRESENTATION
- ◆ QUESTIONS OR COMMENTS??